

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name DeWitt Area Recreation Authority	County Clinton
Fiscal Year End 12/31/06	Opinion Date 5/11/07	Date Audit Report Submitted to State 6/8/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

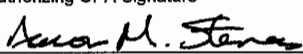
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Authorizing CPA Signature 		Printed Name Aaron M. Stevens	License Number 1101024055

**DeWitt Area Recreation Authority  
DeWitt, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2006**

DeWitt Area Recreation Authority

TABLE OF CONTENTS

December 31, 2006

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i
MANAGEMENT'S DISCUSSION AND ANALYSIS	ii-vi
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet/Statement of Net Assets	1
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities	2
Notes to Basic Financial Statements	3-8
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - Special Revenue Fund	9

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
DeWitt Area Recreation Authority  
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the DeWitt Area Recreation Authority as of and for the year ended December 31, 2006, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the DeWitt Area Recreation Authority as of December 31, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

May 11, 2007



#### Commissioners

Doug Simon

Tim Kangas

Phyllis Daggy

Richard Paulsen

Mary Winegar

Dave Hunsaker

#### Executive Director

Staci Leyko, CPRP

#### Program Coordinator

Chad S. Stevens

#### Office Address

16101 Brook Rd.  
Lansing, MI 48906

#### Mailing Address

1401 W. Herbison Rd.  
DeWitt, MI 48820

#### Phone

(517) 482-5117

#### Fax

(517) 482-1293

#### Website

[www.dewittrecreation.org](http://www.dewittrecreation.org)

#### Email

[info@dewittrecreation.org](mailto:info@dewittrecreation.org)

## **Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2006**

The intent of the management discussion and analysis is to provide highlights of the Authority's financial activities for the Fiscal Year ended December 31, 2006. Readers are encouraged to read this section in conjunction with the basic financial statements.

### **Financial Highlights**

- The assets of the Authority exceeded its liabilities at December 31, 2006 by \$113,327 at the government-wide level. This amount represents the balance of the Authority's unrestricted net assets and may be used to meet the Authority's ongoing obligations.
- As of the close of the current fiscal year, the DeWitt Area Recreation Authority's governmental fund reported an ending fund balance of \$91,277.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$91,277, or 44.47% of total general fund expenditures for the fiscal year ended December 31, 2006.

### **Overview of the Financial Statements**

The DeWitt Area Recreation Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

- The first column of the financial statements includes information on the Authority's Special Revenue Fund under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Authority's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Authority's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**Government-wide Financial Statements:** The government-wide financial statements provide information about the activities of the entire Authority. They present an overall view of the Authority's finances, reporting the assets and liabilities on fiscal period ended December 31, 2006.

The statement of net assets presents information on all of the DeWitt Area Recreation Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported using the modified accrual basis of accounting.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The DeWitt Area Recreation Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority operates with one fund, which is considered a special revenue fund.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The notes to the financial statements provide reconciliations between the fund level and government-wide financial statements to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3-8 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgeted revenues and expenditures on page 9. The DeWitt Area Recreation Authority adopts an annual appropriated budget for its Special Revenue Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

#### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of DeWitt Area Recreation Authority, assets exceeded liabilities by \$113,327. A comparative analysis of data is presented below for the condensed statement of net assets as of December 31, 2005 and 2006.

TABLE 1  
CONDENSED STATEMENT OF NET ASSETS

	December 31,	
	<u>2005</u>	<u>2006</u>
Current assets	\$ 111,576	\$ 95,616
Capital assets	<u>10,628</u>	<u>27,446</u>
<b>Total assets</b>	<b><u>\$ 122,204</u></b>	<b><u>\$ 123,026</u></b>
Current liabilities	\$ 5,012	\$ 8,116
Noncurrent liabilities	<u>26</u>	<u>1,619</u>
<b>Total liabilities</b>	<b><u>\$ 5,038</u></b>	<b><u>\$ 9,735</u></b>
Net assets		
Unrestricted	<b><u>\$ 117,166</u></b>	<b><u>\$ 113,327</u></b>

Unrestricted net assets (the part of net assets that can be used to finance day to day operations) stand at approximately 55% of expenses for the fiscal year ended December 31, 2006. This is well above our desired range, and will decrease as portions of the fund balance are budgeted for use in the upcoming years.

TABLE 2  
CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

	Years Ended December 31,	
	<u>2005</u>	<u>2006</u>
Program revenue		
Charges for services	\$ 87,594	\$ 95,968
General revenue		
Intergovernmental - local	100,000	90,000
Interest	842	661
Other	<u>3,965</u>	<u>3,268</u>
<b>Total revenues</b>	192,401	189,897
Current Expenses		
Recreation services	<u>179,611</u>	<u>193,736</u>
<b>Change in net assets</b>	<b><u>\$ 12,790</u></b>	<b><u>\$ ( 3,839 )</u></b>

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Assets shows how total revenues and expenses increased the net assets. Program revenues of \$95,968, less operating recreation expenses of \$193,736 show that the day to day operations of the Authority were not being met by user fees, but program revenues covered 49.54% of total expenses in 2006 as compared to 48.77% in 2005.

The Authority's program revenues and total expenses increased at a similar rate over the prior fiscal year. This is related to the addition of new programs and a 2.7% increase in participation from 2005. Program revenue increased 9.6% over the 2005 fiscal year and total expenses increased 7.9% over the 2005 fiscal year.

**Capital Assets and Debt Administration:** A comparative analysis of capital assets as of December 31, 2005 and 2006 follows:

TABLE 3  
CAPITAL ASSETS

	<u>2005</u>	<u>2006</u>
Equipment	\$ 11,753	\$ 31,615
Less accumulated depreciation for:		
Equipment	( 1,125 )	( 4,169 )
<b>Capital assets, net</b>	<b><u>\$ 10,628</u></b>	<b><u>\$ 27,446</u></b>

**Long-term Obligations:** The DeWitt Area Recreation Authority does not have any outstanding debt issues. The only long-term obligation the Authority currently has relates to compensated absences (e.g., unused vacation and personal leave). The total liability for this long-term obligation at December 31, 2006 is \$5,396 which shows an increase of \$5,309 over fiscal period ended December 31, 2005.

#### **Governmental Fund Budgetary Highlights**

There are significant variances between the final budget and actual amounts for a number of revenue lines and current expenditure items. DARA has continued to grow each of the past 3.5 years by increasing programming while also practicing controlled spending. Actual revenue numbers are less than the budgeted amounts, but remain higher than the actual revenue numbers in 2005. Many expenditure lines were less than the budgeted amounts.

There was a large increase in program revenues in 2006 as a result of higher participation numbers in programs along with revenue received for a number of new programs offered by DARA in 2006.

DARA realized a large savings in salaries and wages as a full-time staff person was not employed in the program coordinator position for a number of weeks in the middle of 2006 fiscal year. The lack of an employee in this position also resulted in a large savings of fringe benefits. DARA also saved a large portion of part-time wages through using the program coordinator to supervise programs versus hiring a part-time program supervisor.

A few of the large items originally budgeted for as capital outlay cost less than the budget amounts resulting in a savings for the capital outlay line item expense.

A 2006 budget comparison schedule is presented in the Required Supplementary Information section on page 9.

#### **Economic Factors and Next Year's Budget and Rates**

For the fiscal year ending December 31, 2007, we anticipate another modest increase in program revenues and total expenditures based on increased and new programming and capital outlay purchases as planned for in a short-term planning effort undertaken by the DARA Board of Commissioners. With a guaranteed intergovernmental revenue contribution, economic factors will not greatly impact the financial condition of the Authority. Poor economic conditions may decrease discretionary income thus decreasing revenue based on program participation numbers.



A portion of the fund balance should be used for day to day operations during the fiscal year ending December 31, 2007 causing a decrease in the Authority's net assets. The DARA Board of Commissioners continues to budget the spending of the fund balance wisely. The goal has been to spend a portion of the fund balance on items that will not increase our annual expenditures for a number of years in the future. The Authority will continue to budget for a decrease in the fund balance to reach a desired fund balance percentage of 5%-10%.

Because the services of the DeWitt Area Recreation Authority are provided based on the ability to pay, a substantial fee increase is unlikely. Higher operating costs will continue to increase expenditures and may directly result in nominal fee increases for Authority programs to the general public. The increased fees for programs will directly result from increases in operating costs to provide them.

#### **Requests for Information**

This financial report is designed to provide a general overview of the DeWitt Area Recreation Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Staci Leyko CPRP  
Executive Director  
DeWitt Area Recreation Authority  
1401 W. Herbison Rd.  
DeWitt, MI 48820  
Phone: (517) 482-5117  
Fax: (517) 482-1293  
E-mail: [sleyko@dewittrecreation.org](mailto:sleyko@dewittrecreation.org)

## **BASIC FINANCIAL STATEMENTS**

## DeWitt Area Recreation Authority

## GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

December 31, 2006

	Special Revenue Fund	Adjustments	Statement of Net Assets
<b>ASSETS</b>			
Current assets			
Cash	\$ 92,440	\$ -	\$ 92,440
Due from local government	3,176	-	3,176
Total current assets	95,616	-0-	95,616
Noncurrent assets			
Capital assets, net	-	27,446	27,446
Total assets	<u>\$ 95,616</u>	27,446	123,062
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 1,818	-	1,818
Other accrued liabilities	1,035	-	1,035
Deferred revenue	1,486	-	1,486
Current portion of compensated absences	-	3,777	3,777
Total current liabilities	4,339	3,777	8,116
Noncurrent liabilities			
Compensated absences	-	1,619	1,619
Total liabilities	4,339	5,396	9,735
<b>FUND BALANCE/NET ASSETS</b>			
Fund balance			
Unreserved - undesignated	91,277	(91,277)	-0-
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 95,616</u>	-	-0-
<b>NET ASSETS</b>			
Unrestricted		<u>\$ 113,327</u>	<u>\$ 113,327</u>

See accompanying notes to financial statements.

DeWitt Area Recreation Authority

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

	Special Revenue Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Current			
Salaries and wages	\$ 86,128	\$ 5,309	\$ 91,437
Fringe benefits	21,082	-	21,082
Supplies and materials	3,009	-	3,009
Postage	1,033	-	1,033
Program costs	40,179	-	40,179
Contracted services	9,813	-	9,813
Telephone	3,925	-	3,925
Rent	3,049	-	3,049
Insurance	7,334	-	7,334
Dues and memberships	1,060	-	1,060
Training and conferences	2,910	-	2,910
Mileage	1,172	-	1,172
Depreciation	-	3,044	3,044
Other	2,376	-	2,376
Capital outlay	22,175	(19,862)	2,313
TOTAL EXPENDITURES/EXPENSES	205,245	(11,509)	193,736
PROGRAM REVENUES			
Charges for services	95,968	-	95,968
NET PROGRAM EXPENSE	(109,277)	11,509	(97,768)
GENERAL REVENUES			
Intergovernmental - local	90,000	-	90,000
Interest	661	-	661
Other	3,268	-	3,268
TOTAL GENERAL REVENUES	93,929	-0-	93,929
EXCESS OF REVENUES (UNDER) EXPENDITURES	(15,348)	15,348	-0-
CHANGE IN NET ASSETS	-	(3,839)	(3,839)
Fund balance/Net assets			
Beginning of year	106,625	10,541	117,166
End of year	\$ 91,277	\$ 22,050	\$ 113,327

See accompanying notes to financial statements.

DeWitt Area Recreation Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The DeWitt Area Recreation Authority is a joint venture between DeWitt Charter Township and the City of DeWitt, and was established in 2003 to provide recreation services. The Authority's activities are overseen by a six (6) member board of Directors, with each municipality appointing three (3) members. Each municipality provides annual appropriations to subsidize operations. The initial contribution approved by the Authority requires DeWitt Charter Township and the City of DeWitt to provide approximately 68 and 32 percent, respectively.

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements are exclusive presentations of the financial condition and results of operations of the DeWitt Area Recreation Authority. The Authority is considered a "joint venture" of DeWitt Charter Township and the City of DeWitt.

2. Basis of Presentation and Measurement Focus

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Authority as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, adjustments are reflected on the face of the financial statements. Those adjustments are explained in detail in Note F.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all local government appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Authority.

FUND FINANCIAL STATEMENTS

The Authority uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Authority's individual major fund.

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

DeWitt Area Recreation Authority  
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Basis of Presentation and Measurement Focus - continued

The major fund of the Authority is:

Special Revenue Fund - This fund is used to account for all financial resources of the Authority, which are restricted to expenditures for specified recreation related purposes.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Authority before it has legal claim to them, such as when program fees are received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The Authority reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when the Authority receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

4. Budgets and Budgetary Accounting

The annual budget of the Authority is prepared by Authority management and approved by the Board at the total expenditure level. Any revisions to the original budget are approved by the Board before the end of the fiscal year.

5. Cash

Cash consists of the Authority's money market checking account.

6. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the Government-wide financial statements. Capital assets are those with an initial individual cost of \$2,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the Government-wide financial statements. Purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

DeWitt Area Recreation Authority  
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	5 - 7 years
Vehicles	10 years

7. Deferred Revenue

The Authority has recorded deferred revenue at both the government-wide and the fund level equaling the amount of program fees received from participants for the subsequent year's programs.

8. Compensated Absences

The Authority employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount, along with related payroll taxes has been recorded as a long-term liability in the government-wide financial statements.

9. Comparative Data

Comparative data for the prior year has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH**

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

DeWitt Area Recreation Authority  
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE B: CASH - CONTINUED**

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation or Government National Mortgage Association.

The Authority's bank deposits at December 31, 2006, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash		
Checking account	\$ 92,440	\$ 98,442

Bank deposits of the Authority are at federally insured banks located in the State of Michigan with the account maintained in the name of the Authority. As of December 31, 2006, the Authority's account was fully insured by the FDIC.

Interest rate risk

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of credit risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer by limiting investments to authorized types of securities, pre-qualifying financial institutions with which the Authority will do business, and diversifying the investment portfolio.

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Balance Jan. 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Dec. 31, 2006</u>
Capital assets being depreciated				
Vehicles	\$ -	\$ 12,657	\$ -	\$ 12,657
Equipment	11,753	7,205	-	18,958
Total capital assets being depreciated	11,753	19,862	-0-	31,615
Less accumulated depreciation for:				
Vehicles	-	( 633 )	-	( 633 )
Equipment	( 1,125 )	( 2,411 )	-	( 3,536 )
Total accumulated depreciation	1,125	( 3,044 )	-0-	( 4,169 )
Capital assets, net	\$ 10,628	\$ 16,818	\$ -0-	\$ 27,446



DeWitt Area Recreation Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE D: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Authority for the year ended December 31, 2006:

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006	Amounts Due Within One Year
Compensated absences	\$ 87	\$ 5,309	\$ -	\$ 5,396	\$ 3,777

Significant details regarding outstanding long-term debt are presented below:

**Compensated absences**

Employees of the Authority are granted vacation time in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated sick leave and vacation at full current rate of pay.

Accumulated sick leave and vacation pay represent a liability to the Authority and is presented as a long-term liability. Payments to employees for sick leave and vacation pay are recorded as expenditures when they are used and payments are actually made to the employees.

At December 31, 2006, the Authority's total liability for sick leave and vacation pay amounted to \$5,396. The amount of \$3,777 is recorded as a current liability, and the balance of \$1,619 is recorded as a long-term liability on the Statement of Net Assets.

**NOTE E: RISK MANAGEMENT**

The Authority participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Authority has not been informed of any special assessments being required.

The Authority also participates in a pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Authority has not been informed of any special assessments being required.

## DeWitt Area Recreation Authority

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

**NOTE F: RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Total fund balance and the net change in fund balance of the Authority's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities, respectively. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

**Total fund balance - governmental fund** \$ 91,277

Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources.

The cost of capital assts is	\$	31,615
Accumulated depreciation is		( 4,169 )

Capital assets, net		27,446
---------------------	--	--------

Compensated absences are included as a liability.		( 5,396 )
---------------------------------------------------	--	-----------

**Net assets of governmental activities** \$ 113,327

**Net change in fund balance - governmental fund** \$( 15,348 )

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. In the current year, these amounts are:

Capital outlay	\$	19,862
Depreciation expense		( 3,044 )

Excess of capital outlay over depreciation expense		16,818
----------------------------------------------------	--	--------

The increase in the accrual for long-term compensated absences is reported as an increase of liabilities in the statement of activities, but not in the fund statements.

		( 5,309 )
--	--	-----------

**Change in net assets of governmental activities** \$( 3,839 )

## **REQUIRED SUPPLEMENTARY INFORMATION**

## DeWitt Area Recreation Authority

## BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - local	\$ 90,000	\$ 90,000	\$ 90,000	\$ -0-
Charges for services	108,865	108,865	95,968	(12,897)
Interest	500	500	661	161
Other	2,000	2,000	3,268	1,268
TOTAL REVENUES	201,365	201,365	189,897	(11,468)
EXPENDITURES				
Current				
Salaries and wages	106,018	106,018	86,128	19,890
Fringe benefits	29,865	29,865	21,082	8,783
Supplies and materials	3,000	3,000	3,009	(9)
Postage	900	900	1,033	(133)
Program costs	45,700	45,700	40,179	5,521
Contracted services	10,650	10,650	9,813	837
Telephone	3,960	3,960	3,925	35
Rent	2,775	2,775	3,049	(274)
Insurance	8,300	8,300	7,334	966
Dues and memberships	665	665	1,060	(395)
Training and conferences	3,200	3,200	2,910	290
Mileage	3,000	3,000	1,172	1,828
Other	3,100	3,100	2,376	724
Capital outlay	25,000	25,000	22,175	2,825
TOTAL EXPENDITURES	246,133	246,133	205,245	40,888
EXCESS OF REVENUES (UNDER) EXPENDITURES	(44,768)	(44,768)	(15,348)	29,420
Fund balance, beginning	106,625	106,625	106,625	-0-
Fund balance, ending	<u>\$ 61,857</u>	<u>\$ 61,857</u>	<u>\$ 91,277</u>	<u>\$ 29,420</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS**

To the Board of Commissioners  
DeWitt Area Recreation Authority  
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the DeWitt Area Recreation Authority as of and for the year ended December 31, 2006, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the DeWitt Area Recreation Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the following deficiency to be a significant deficiency in internal control:

**BANK RECONCILIATIONS**

During the course of our audit, and through discussions with management, it was noted that bank reconciliations were not performed in a timely manner throughout the year. Reconciling the Authority's general ledger cash account to the bank statement will assist in potential fraud or error detection, verify the Authority's monthly cash balance, and provide members of the Board accurate financial information to make informed decisions.

Circumstances unrelated to financial reporting affected the Authority's ability to perform bank reconciliations in a timely manner at various points throughout the year. While we understand the reasons for the delays in reconciling the Authority's bank account, we recommend the Authority strive to consistently complete the bank reconciliation in a timely manner.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

This report is intended solely for the information and use of management, the members of the Board of Commissioners of the DeWitt Area Recreation Authority, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

May 11, 2007